

**ANDERSON COUNTY SCHOOL DISTRICT**

**BASIC FINANCIAL STATEMENTS,  
SUPPLEMENTARY INFORMATION,  
AND INDEPENDENT AUDITOR'S REPORTS**

**YEAR ENDED JUNE 30, 2003**

**ANDERSON COUNTY SCHOOL DISTRICT  
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**F A R M E R & H U M B L E**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
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**LAWRENCEBURG, KENTUCKY 40342**  
**(502) 839-3588**

**INDEPENDENT AUDITOR' S REPORT**

Members of the Board of Education  
Anderson County Board of Education  
Lawrenceburg, Kentucky 40342

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Anderson County School District, as of and for the year ended June 30, 2003, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District' s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Anderson County School District as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note B, the District has implemented a new financial reporting model as required by the provisions of GASB Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments, as of July 1, 2002.

The management's discussion and analysis and budgetary comparison information on pages 3 through 6 and 28 through 29 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated November 30, 2003, on our consideration of Anderson County School District' s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Anderson County School District basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and additional information shown on pages 29 through 32 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements of Anderson County School District. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects, in relation to the financial statements taken as a whole.

Farmer & Humble  
Lawrenceburg, Kentucky  
November 30, 2003

**ANDERSON COUNTY PUBLIC SCHOOL DISTRICT – LAWRENCEBURG, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2003**

As management of the Anderson County School District (District), we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2003. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

**FINANCIAL HIGHLIGHTS**

- The beginning cash balance for the District was \$5,599,998
- The General Fund revenue was \$15,150,048, which primarily consisted of the state program (SEEK), property, motor vehicle and utility taxes. Excluding inter-fund transfers, General Fund expenditures were \$14,409,625.
- The General Fund had a current year surplus of revenues over expenditures while Special Revenue, Food Service and Day Care funds ended with a current year deficit. All funds, excluding the Construction and Building Funds, ended with an increase in Fund Balance over the prior fiscal year.
- The board continued to maintain a scheduled bus fleet rotation by approving the purchase of three (3) new buses. Total cost of the new buses was \$175, 244.
- House Bill 269 permitted the use of Capital Outlay funds to pay for property insurance premiums for fiscal year 2003 with approval from the Kentucky Department of Education. The board approved the use of Capital Outlay funds in the amount of \$51,506 to pay for the district’s property insurance premiums.
- The district continues to experience relative high growth. Student enrollment has grown an average of 88.3 students per year over the past three years, an 8% growth rate over this period. The district anticipates a projected growth rate of approximately 3.5% per year through 2007.
- The district completed construction on one new elementary school, Robert B. Turner in school year 2002-03 and closed Western Elementary. No new construction projects were initiated in 2002-03. However, the district facilities plan calls for several future construction and renovation projects.
- No bonds were issued in fiscal year 2003. However, board action was taken in fiscal year 2003 to approve the refinancing (refunding) of the 1994A and 1994B Series bonds. As a result, interest rates were lowered from 5.68% and 6.41% to approximately 3.56% saving \$450,000 over the life of the debt service schedule.
- As authorized by the General Assembly in the Biennial Budget (HB269), the board approved an equalized growth nickel of 5.7 cents in June 2003.
- Due to the decline of interest rates, interest income declined \$76,565 (58%) as compared to fiscal year 2002.
- The district anticipates flat to falling revenue during fiscal year 2004 due to projected short falls in the state budget.
- Bonds are issued as the district constructs or renovates facilities consistent with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations. The district’s total debt decreased by \$129,630 during the current fiscal year.

## OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 7 through 8 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. Food Service and Day Care operations are reported as proprietary funds. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 9 through 16 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17 through 27 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$9,523,427 as of June 30, 2003.

The largest portion of the District's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment, and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

### Net Assets for the period ending June 30, 2003

The current year's financial statements are dramatically different from past years as a result of implementing GASB 34. Attempting to compare this year's data with last year would be misleading to the reader; however, the district looks forward to offering comparative data in the future.

Current Assets	\$ 7,186,373
Noncurrent Assets	<u>24,060,198</u>
Total Assets	\$31,246,571
Current Liabilities	\$ 2,216,619
Noncurrent Liabilities	<u>19,506,525</u>
Total Liabilities	\$21,723,144
Net Assets	
Investment in Capital Assets (Net of Debt)	\$3,960,198
Restricted	1,705,524
Unreserved Fund Balance	<u>3,857,705</u>
Total Net Assets	\$9,523,427

The following are significant current year transactions that have had an impact on the Statement of Net Assets.

The district implemented GASB 34 and recorded fixed assets and debt for the first time.

#### Comments on Budget Comparisons

- The District's total governmental revenues for the fiscal year ended June 30, 2003, net of interfund transfers, were \$20.9 million.
- General fund budget compared to actual revenue varied from line item to line item with the ending actual balance being \$0.5 million more than budgeted or 3.4%.
- The total cost of all programs and services was \$19.4 million net of debt service.
- General fund budget expenditures to actual varied from line item to line item ending with an \$81,233 budget deficit when excluding the contingency line item.

The following table presents a summary of revenue and expense for the fiscal year ended June 30, 2003.

Revenues:	
Local revenue sources	\$ 7,288,847
State revenue sources	12,984,452
Federal revenue	<u>1,904,021</u>
Total revenues	\$22,177,320
Expenses:	
Instruction	\$11,658,535
Student support services	645,315
Instructional support	585,597
District administration	688,463
School administration	1,115,486
Business support	503,804
Plant operations	1,422,375
Student transportation	854,574
Central office support	35
Food Service	1,283,667
Community support	370,877
Other	<u>1,988,156</u>
Total expenses	<u>\$21,116,884</u>
Revenue in excess of expenses	<u>\$ 1,060,436</u>

\* The board authorized expenditures of prior year reserve to address instructional needs.

### **General Fund Revenue**

The majority of revenue was derived from state funding (66%) with local tax revenue making up 31% of total revenue.

### **Budget Allocation**

Site Based Decision Making Councils expended 61% of the general fund budget. Non-SBDM instructional funds (7%) was spent serving children with special needs. The remaining 32% was expended for central support services (15%), transportation (7%), and plant operations (10%).

### **School Allocation**

Regular Instruction accounts for 81% of the school level expenditures.

### **BUDGETARY IMPLICATIONS**

In Kentucky, the public school fiscal year is July 1-June 30. Federal programs operate on a different fiscal calendar, but are reflected in the district overall budget. By law the budget must have a minimum 2% contingency. The district adopted a FY 2003-04 budget with \$3,468,744 budgeted contingency (13%). The beginning cash balance for beginning fiscal year 2004 is \$5,811,296.

In summary, the district continues maintain a healthy financial status primarily due to steady growth in student population and sound fiscal management and practices.

Questions regarding this report should be directed to the Superintendent or to Mark Patrick, Director of Financial Services, (502) 839-3406 or by mail to Anderson County Public Schools, 103 North Main Street, Lawrenceburg, KY 40342.



ANDERSON COUNTY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2003

	Governmental Activities	Business- Type Activities	Total
<b>Assets</b>			
<b><u>Current Assets</u></b>			
Cash and cash equivalents	\$ 3,608,103	\$ 209,783	\$ 3,817,886
Investments	2,047,670		2,047,670
Accounts receivable			
Taxes-current	107,931		107,931
Taxes-delinquent	14,234		14,234
Accounts	75,047		75,047
Intergovernmental-State	26,807		26,807
Intergovernmental-Indirect Federal	333,577		333,577
Bond issue costs	676,467		676,467
Prepaid expenses	82,872		82,872
Due from other funds	2,304		2,304
Interest receivable	1,578		1,578
<b>Total current assets</b>	<u>6,976,590</u>	<u>209,783</u>	<u>7,186,373</u>
<b><u>Noncurrent Assets</u></b>			
Capital assets	33,989,472	727,397	34,716,869
Less: accumulated depreciation	<u>(10,238,976)</u>	<u>(417,695)</u>	<u>(10,656,671)</u>
<b>Total noncurrent assets</b>	<u>23,750,496</u>	<u>309,702</u>	<u>24,060,198</u>
<b>Total assets</b>	<u>\$ 30,727,086</u>	<u>\$ 519,485</u>	<u>\$ 31,246,571</u>
<b>Liabilities</b>			
<b><u>Current Liabilities</u></b>			
Accounts payable	\$ 598,268	\$ 3,388	\$ 601,656
Accrued payroll and related expenses	15,554		15,554
Deferred revenue	482,277		482,277
Current portion of capital lease obligations	905,000		905,000
Interest payable	212,132		212,132
<b>Total current liabilities</b>	<u>2,213,231</u>	<u>3,388</u>	<u>2,216,619</u>
<b><u>Noncurrent Liabilities</u></b>			
Capital lease obligations	19,195,000		19,195,000
Compensated absences	304,936	6,589	311,525
<b>Total noncurrent liabilities</b>	<u>19,499,936</u>	<u>6,589</u>	<u>19,506,525</u>
<b>Total liabilities</b>	<u>21,713,167</u>	<u>9,977</u>	<u>21,723,144</u>
<b><u>Net Assets</u></b>			
Invested in capital assets, net of related debt	3,650,496	309,702	3,960,198
Restricted for:			
Capital projects	1,705,524		1,705,524
Unrestricted	3,657,899	199,806	3,857,705
<b>Total net assets</b>	<u>\$ 9,013,919</u>	<u>\$ 509,508</u>	<u>\$ 9,523,427</u>

See accompanying notes to the basic financial statements.



**ANDERSON COUNTY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2003**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business- Type Activities	Total
<b>Governmental Activities:</b>							
Instruction	\$ 13,030,568	\$ 34,948	\$ 4,237,700	\$	\$ (8,757,920)	\$	\$ (8,757,920)
Support services:							
Student	645,315		121,541		(523,774)		(523,774)
Instruction staff	585,597		112,572		(473,025)		(473,025)
District administrative	688,463		4,682		(683,781)		(683,781)
School administrative	1,115,486				(1,115,486)		(1,115,486)
Business	503,804		26,934		(438,562)		(438,562)
Plant operation and maintenance	1,422,375	38,308	51,506		(1,370,869)		(1,370,869)
Student transportation	854,574		989,367		134,793		134,793
Central office	35				(35)		(35)
Community service	370,877	224,790	150,271		4,184		4,184
Other	47,211				(47,211)		(47,211)
Interest on long-term debt	871,270		169,372		(701,898)		(701,898)
Depreciation	1,069,675				(1,069,675)		(1,069,675)
<b>Total governmental activities</b>	<u>21,205,250</u>	<u>298,046</u>	<u>5,863,945</u>		<u>(15,043,259)</u>		<u>(15,043,259)</u>
<b>Business-Type Activities:</b>							
Food service	1,283,667	672,316	518,124			(93,227)	(93,227)
<b>Total business-type activities</b>	<u>1,283,667</u>	<u>672,316</u>	<u>518,124</u>			<u>(93,227)</u>	<u>(93,227)</u>
<b>Total primary government</b>	<u>\$ 22,488,917</u>	<u>\$ 970,362</u>	<u>\$ 6,382,069</u>	<u>\$</u>	<u>\$ (15,043,259)</u>	<u>\$ (93,227)</u>	<u>\$ (15,136,486)</u>
<b>General Revenues:</b>							
Taxes:							
Property taxes					\$ 4,519,407	\$	\$ 4,519,407
Motor vehicle taxes					555,531		555,531
Utility taxes					764,278		764,278
Distilled spirits					255,256		255,256
Investment earnings					128,444	3,661	132,105
State and formula grants					9,939,192		9,939,192
Gains on sales of capital assets					5,500		5,500
Miscellaneous					31,153		31,153
<b>Total general revenues</b>					<u>16,198,761</u>	<u>3,661</u>	<u>16,202,422</u>
Transfers					(121,006)	121,006	
Change in net assets					1,034,496	31,440	1,065,936
Net assets-beginning (see Note B)					<u>7,979,423</u>	<u>478,068</u>	<u>8,457,491</u>
Net assets-ending					<u>\$ 9,013,919</u>	<u>\$ 509,508</u>	<u>\$ 9,523,427</u>

See accompanying notes to the basic financial statements.

**ANDERSON COUNTY SCHOOL DISTRICT**

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

**JUNE 30, 2003**

	General	Special	FSPK	Construction	Other Governmental	Total Governmental
	<u>Fund</u>	<u>Revenue</u>	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
<b>Assets and Resources:</b>						
Cash and cash equivalents	\$ 1,569,573	\$ 143,084	\$ 1,197,110	\$ 508,414	\$ 189,922	\$ 3,608,103
Investments	2,047,670					2,047,670
Accounts receivable						
Taxes-current	107,931					107,931
Taxes-delinquent	14,234					14,234
Accounts	24,034	46,851			4,162	75,047
Intergovernmental-State		26,807				26,807
Intergovernmental-Indirect Federal	42	333,535				333,577
Prepaid expenses	57,777	25,095				82,872
Due from other funds	2,304					2,304
Interest receivable	1,578					1,578
<b>Total assets</b>	<u>\$ 3,825,143</u>	<u>\$ 575,372</u>	<u>\$ 1,197,110</u>	<u>\$ 508,414</u>	<u>\$ 194,084</u>	<u>\$ 6,300,123</u>
<b>Liabilities and Fund Balances:</b>						
<b>Liabilities</b>						
Accounts payable	\$ 194,548	\$ 93,095	\$	\$ 302,014	\$ 8,611	\$ 598,268
Accrued payroll and related expenses	7,307					7,307
Current portion of accumulated sick leave	8,247					8,247
Deferred revenue		482,277				482,277
<b>Total liabilities</b>	<u>210,102</u>	<u>575,372</u>		<u>302,014</u>	<u>8,611</u>	<u>1,096,099</u>
<b>Fund Balances</b>						
Reserved for:						
Encumbrances	105,129				1,279	106,408
Accrued sick leave	50,000					50,000
Capital projects	51,506					51,506
Unreserved:						
Undesignated, reported in:						
General fund	3,408,406					3,408,406
Special revenue funds						
Capital projects funds			1,197,110	206,400		1,403,510
Debt service funds						
Permanent funds					184,194	184,194
<b>Total fund balances</b>	<u>3,615,041</u>		<u>1,197,110</u>	<u>206,400</u>	<u>185,473</u>	<u>5,204,024</u>
<b>Total liabilities and fund balances</b>	<u>\$ 3,825,143</u>	<u>\$ 575,372</u>	<u>\$ 1,197,110</u>	<u>\$ 508,414</u>	<u>\$ 194,084</u>	<u>\$ 6,300,123</u>

See accompanying notes to the basic financial statements.

ANDERSON COUNTY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET-GOVERNMENTAL FUNDS TO  
THE STATEMENT OF NET ASSETS  
JUNE 30, 2003

Total governmental funds balances		\$	5,204,024
Amounts reported for government activities in the statement of net assets are different because of the following:			
Capital assets are not used in governmental activities financial resources and therefore are not reported in the funds.			23,750,496
Bond issuance costs are amortized over the life of the bonds on the statement of net assets.			676,467
Long-term liabilities including capital lease obligations payable; compensated absences and accrued interest payable are not due and payable in the current period and therefore are not reported in the funds.			
Capital Lease Obligations	(20,100,000)		
Compensated Absences	(304,936)		
Accrued Interest Payable	(212,132)		
			<u>(20,617,068)</u>
Net assets of governmental activities		\$	<u><u>9,013,919</u></u>

See accompanying notes to the basic financial statements.

**ANDERSON COUNTY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2003**

	GENERAL	SPECIAL	FSPK	CONSTRUCTION	OTHER GOVERNMENTAL	TOTAL GOVERNMENTAL
	FUND	REVENUE	FUND	FUND	FUNDS	FUNDS
<b>REVENUES:</b>						
From local sources:						
Taxes:						
Property	\$ 3,414,575	\$	\$ 1,104,832	\$	\$	\$ 4,519,407
Motor vehicle	555,531					555,531
Utilities	764,278					764,278
Distilled spirits	255,256					255,256
Tuition and Fees	1,575	3,176			293,295	298,046
Earnings on investments	104,032	925	10,502	12,894	91	128,444
Other local revenues	32,292	57,001			2,615	91,908
Intergovernmental-state	10,020,665	1,810,727	345,450		771,912	12,948,754
Intergovernmental-indirect federal	1,844	1,419,751				1,421,595
<b>TOTAL REVENUES</b>	<b>15,150,048</b>	<b>3,291,580</b>	<b>1,460,784</b>	<b>12,894</b>	<b>1,067,913</b>	<b>20,983,219</b>
<b>EXPENDITURES:</b>						
Instruction	8,764,629	2,865,859		78,354	437	11,709,279
Support Services:						
Student	520,180	121,541		3,361		645,082
Instruction staff	507,227	138,040		653		645,920
District administrative	708,853	5,607				714,460
School administrative	1,083,923			2,145		1,086,068
Business	387,293	26,934		29	90,749	505,005
Plant operations	1,386,896			12,449	51,506	1,450,851
Student transportation	1,048,032	11,411				1,059,443
Food service	1,153			7,525		8,678
Community service	415	147,656		844	221,962	370,877
Facilities acquisition and construction	1,024			1,205,191		1,206,215
Debt service					1,764,842	1,764,842
<b>TOTAL EXPENDITURES</b>	<b>14,409,625</b>	<b>3,317,048</b>		<b>1,310,551</b>	<b>2,129,496</b>	<b>21,166,720</b>
Excess (deficiency) of revenues over expenditures	740,423	(25,468)	1,460,784	(1,297,657)	(1,061,583)	(183,501)
<b>OTHER FINANCING SOURCES (USES):</b>						
Proceeds from sale of fixed assets	5,500					5,500
Interfund transfers	(413,300)	25,468	(1,044,345)	156,826	1,154,345	(121,006)
<b>TOTAL OTHER FINANCING SOURCES (USES):</b>	<b>(407,800)</b>	<b>25,468</b>	<b>(1,044,345)</b>	<b>156,826</b>	<b>1,154,345</b>	<b>(115,506)</b>
Net change in fund balances	332,623		416,439	(1,140,831)	92,762	(299,007)
<b>FUND BALANCE JULY 1, 2002</b>	<b>3,282,418</b>		<b>780,671</b>	<b>1,347,231</b>	<b>92,711</b>	<b>5,503,031</b>
<b>FUND BALANCE JUNE 30, 2003</b>	<b>3,615,041</b>		<b>1,197,110</b>	<b>206,400</b>	<b>185,473</b>	<b>5,204,024</b>

See accompanying notes to the basic financial statements.

ANDERSON COUNTY SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2003

Net change in total fund balances-total governmental funds		\$ (299,007)
Amounts reported for governmental activities on the statement of activities are different because of the following:		
Governmental fund report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Fixed Asset Additions	1,647,472	
Current Year Depreciation	<u>(1,069,675)</u>	
		577,797
In the statement of activities, interest is accrued on outstanding capital leases, whereas in governmental funds, an interest expenditure is reported when due.		48,942
Debt issuance costs will be amortized over the life of the capital lease on the statement of net assets.		(38,533)
Repayment of capital lease obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		844,630
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences		<u>(99,333)</u>
Change in net assets of governmental activities		<u>\$ 1,034,496</u>

See accompanying notes to the basic financial statements.

ANDERSON COUNTY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2003

	Food Service Fund
	<hr/>
<b>Assets</b>	
<b><u>Current Assets</u></b>	
Cash and cash equivalents	\$ 209,783
<b>Total current assets</b>	<hr/> 209,783 <hr/>
<b><u>Noncurrent Assets</u></b>	
Capital assets	727,397
Less: accumulated depreciation	<hr/> (417,695)
<b>Total noncurrent assets</b>	<hr/> 309,702 <hr/>
<b>Total assets</b>	<hr/> <b>\$ 519,485</b> <hr/>
<b>Liabilities</b>	
<b><u>Current Liabilities</u></b>	
Accounts payable	\$ 3,388
<b>Total current liabilities</b>	<hr/> 3,388 <hr/>
<b><u>Noncurrent Liabilities</u></b>	
Compensated absences	<hr/> 6,589
<b>Total liabilities</b>	<hr/> <b>\$ 9,977</b> <hr/>
<b><u>Net Assets</u></b>	
Invested in capital assets	309,702
Unrestricted	<hr/> 199,806
<b>Total net assets</b>	<hr/> <b>\$ 509,508</b> <hr/>

See the accompanying notes to the basic financial statements.



ANDERSON COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR YEAR ENDED JUNE 30, 2003

	Food Service Fund
	<hr/>
<b>OPERATING REVENUES:</b>	
Sales	\$ 672,316
<b>TOTAL OPERATING REVENUES</b>	<hr/> 672,316 <hr/>
<b>OPERATING EXPENSES:</b>	
Salaries	412,461
Fringe benefits	65,813
Materials and supplies	688,733
Purchased services	4,932
Depreciation	58,815
Other	52,913
<b>TOTAL OPERATING EXPENSES</b>	<hr/> 1,283,667 <hr/>
Operating Loss	(611,351)
<b>NON-OPERATING REVENUES:</b>	
Operating grants	446,153
Donated commodities	71,971
Interest	3,661
<b>TOTAL NON-OPERATING REVENUES</b>	<hr/> 521,785 <hr/>
Loss before transfer	(89,566)
Interfund transfer	121,006
Change in Net Assets	31,440
<b>Net Assets, beginning of year</b>	<hr/> 478,068 <hr/>
<b>Net Assets, end of year</b>	<hr/> \$ 509,508 <hr/>

See accompanying notes to the basic financial statements.

**ANDERSON COUNTY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR YEAR ENDED JUNE 30, 2003**

	<b><u>Food Service</u></b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	
Cash received from users	\$ 672,351
Cash payments to employees for services	(405,872)
Cash payments to suppliers for goods and services	(659,068)
Cash payments for other operating expenses	(86,151)
<b>Net cash provided by (used for) operating activities</b>	<b><u>(478,740)</u></b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Operating grants received	446,153
Transfers from another fund	121,006
<b>Net cash provided by noncapital financing activities</b>	<b><u>567,159</u></b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Payments for capital acquisitions	<u>(123,281)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	<u>3,661</u>
Net Increase (decrease) in cash and cash equivalents	(31,201)
Cash and cash equivalents, beginning of year	<u>240,984</u>
	<b><u>\$ 209,783</u></b>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (611,351)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	58,815
Commodities	71,971
(Increase) decrease in accounts receivable	35
Increase (decrease) in accounts payable	(4,799)
Increase (decrease) in compensated absences payable	<u>6,589</u>
<b>Net cash provided by (used for) operating activities</b>	<b><u>\$ (478,740)</u></b>
<b>Non-cash transactions:</b>	
Donated commodities received from federal government	<u>\$ 71,971</u>

See accompanying notes to the basic financial statements.

ANDERSON COUNTY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2003

	<u>Agency</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 329,095
Accounts receivable	<u>4,919</u>
<b>Total assets</b>	<u><u>\$ 334,014</u></u>
<b>Liabilities</b>	
Accounts payable	\$ 22,164
Due to other funds	2,304
Due to student groups	<u>309,546</u>
<b>Total liabilities</b>	<u><u>\$ 334,014</u></u>

See accompanying notes to the basic financial statements.

**ANDERSON COUNTY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2003**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**REPORTING ENTITY**

The Anderson County Board of Education ("Board"), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Anderson County School District ("District"). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards as Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters. The legislative power of the School District is vested in the Board of Education elected for staggered four-year terms.

The District, for financial purposes includes all of the funds and account groups relevant to the operation of the Anderson County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the Anderson County School District, this includes general operations, food service and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements.

Anderson County School District Finance Corporation - On February 13, 1989, the Anderson County, Board of Education resolved to authorize the establishment of the Anderson County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an agency of the District for financing the costs of school building facilities. The members of the Board (the "Corporation" also comprise the Corporation's Board of Directors.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the District's accounting policies are described below.

**Basis of Presentation**

The District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements-The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

**ANDERSON COUNTY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2003**

The statement of net assets presents the financial condition of the governmental and business-type activities of the District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities and for the business-type activities of the District. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements-During the year, the District segregates transactions related to certain district functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The fiduciary fund is reported by type.

Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

Governmental Fund Types

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of the current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's governmental funds:

General Fund-The General Fund is the operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is considered a major fund for reporting purposes.

Special Revenue Fund- The special revenue fund accounts for revenue derived from specific sources (other than major capital projects) that are restricted by legal and regulator provisions to finance specific activities. The Special Revenue fund is considered a major fund for reporting purposes.

Capital Project Funds-The Capital Project Funds account for all financial resource used for the acquisition or construction of major capital facilities not being financed by proprietary funds.

1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the district's facility plan.
2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan. The FSPK is considered a major fund for reporting purposes.
3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. The Construction Fund is considered a major fund for reporting purposes.

Debt Service Fund-The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Tuition Fund-The Tuition Fund is used to account for revenues received from users for preschool, daycare, and adult education classes.

Dental Fund-The Dental Fund is used to account for payments to employees who are participants in the District's dental reimbursement plan.

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**ANDERSON COUNTY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2003**

Proprietary Fund (Enterprise Fund)

Proprietary funds focus on the determination of changes in net assets, financial position and cash flows. The District has one enterprise fund which is used to account for any activity for which a fee is charged to external users for goods or services.

Food Service Fund-This fund accounts for the financial transactions related to the food service operation of the District. The Food Service Fund is considered a major fund for reporting purposes.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed for governmental-type and business-type activities to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds., subject to the same limitation. The District has elected not to follow subsequent private-sector guidance.

Fiduciary Fund

The District's only fiduciary fund is an agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Measurement Focus

Government-wide Financial Statements-The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the statement of net assets.

Fund Financial Statements-All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expense versus expenditures.

Revenues-Exchange and Nonexchange Transactions-Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of the fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when the use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis,

revenues from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: interest, tuition, grants, fees and rentals.

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**ANDERSON COUNTY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2003**

Deferred Revenue-Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures-On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expenses with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measureable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Property Taxes

Property Tax Revenues-Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending at year end after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. Property taxes collected are recorded as revenue in the fund for which they are levied.

The property tax rates assessed for the year ending June 30, 2003, to finance the General Fund operations were \$.476 per \$100 valuation for real property, \$.482 per \$100 valuation for business personal property and \$.513 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net asset and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
	<u>Estimated Lives</u>	<u>Estimated Lives</u>
Buildings and improvements	25-50 years	N/A
Land improvements	20 years	N/A
Technology equipment	5 years	5 years
Vehicles	5-10 years	N/A
Furniture and equipment	10-20 years	10-12 years

Deferred Charges

On the government-wide financial statements, bond issuance costs are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. In the governmental funds, these

costs are reported as expenditures when the related liability is incurred.

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**ANDERSON COUNTY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2003**

**Compensated Absences**

The District reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences".

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. In proprietary funds, the entire amount of compensated absences related to employees of those funds is reported as a fund liability.

**Budgetary Data**

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings.

Each budget is prepared and controlled at the revenue and expenditure function/object level. All budget appropriations lapse at year end.

**Cash and Cash Equivalents**

During fiscal year 2003, investments were limited to certificates of deposits with local financial institutions approved by the Board. Investments with a maturity of three months or less at the time they are purchased by the District are reported as cash equivalents.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Inventories**

On government-wide financial statements, inventories are stated at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Inventories of the enterprise fund are expensed when used.

The District inventory balance at year-end was zero.

**Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2003 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.



**ANDERSON COUNTY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2003**

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the fund. However, claims and judgments, the noncurrent portion of capital leases, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and other long-term obligations are recognized as a liability on the fund financial statements when due.

Fund Balance Reserves

The District reserves those portions of governmental fund balances that are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations or expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves are established for encumbrances.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are sales of food service. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**NOTE B – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE**

Changes in Accounting Principles

For the year ended June 30, 2003, the District has implemented GASB Statement No. 33, “Accounting and Financial Reporting for Nonexchange Transactions” and No. 34, “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments”.

GASB 34 creates new basic financial statements for reporting on the District’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the District’s programs between business -type and governmental activities. The beginning net asset amount for the business-type activities equals fund equity of the enterprise fund from last year with a change due to addition of

fixed assets not included in prior years. The beginning net assets amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2003, caused by the conversion to the accrual basis of accounting.

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**ANDERSON COUNTY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2003**

Restatement of Fund Balance-The restatement for the above changes and the transition from governmental fund types balance to net assets of the governmental activities is as follows:

	General	Special Revenue	ESPK Fund	Construction	Nonmajor	Total
Fund Balance June 30, 2002	\$3,282,418	\$ 0	\$780,671	\$1,347,231	\$ 0	\$5,410,320
Close out of fiduciary fund types		<u>0</u>	<u>0</u>	<u>0</u>	<u>92,711</u>	<u>92,711</u>
	0					
Adjusted Fund Balance June 30, 2002	<u>\$3,282,418</u>	<u>\$ 0</u>	<u>\$780,671</u>	<u>\$1,347,231</u>	<u>\$92,711</u>	\$5,503,031
GASB 34 Adjustments:						
Capital Assets-Net of Depreciation						23,172,699
Long-Term Liabilities						(20,229,630)
Accumulated sick leave-long term portion						(205,603)
Accrued interest payable						<u>(261,074)</u>
Governmental Activities Net Assets, June 30, 2002						<u>\$7,979,423</u>

The District had a fixed asset inventory taken to comply with GASB 34. This inventory revealed the existence of proprietary fixed assets that have not previously been recorded on the books. Changes as a result of the GASB 34 implementation are as follows:

	<u>Food Service</u>
Fund Balance, June 30, 2002	\$268,048
Additional fixed assets	<u>210,020</u>
Adjusted Fund Balance, June 30, 2002	<u>\$478,068</u>

**NOTE C - CASH AND INVESTMENTS**

At year-end, the carrying amount of the District' s cash and cash equivalents was \$4,146,981. Of the total cash balance, \$202,641 was covered by Federal Depository Insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the District' s name.

Cash and cash equivalents at June 30, 2003 consisted of the following:

	<u>Bank Balance</u>	<u>Book Balance</u>
Integra	\$ 536,019	\$ 527,568
Lawrenceburg National	<u>4,406,967</u>	<u>3,619,413</u>
	<u>\$4,942,986</u>	<u>\$4,146,981</u>

Breakdown per financial statements:

Governmental funds	\$ 3,608,103
Proprietary funds	209,783
Agency funds	<u>329,095</u>
	<u>\$ 4,146,981</u>

Investments on June 30, 2003 of \$2,047,670 in the general fund consist of certificates of deposit invested with Integra Bank (\$1,538,884) and Century Bank (\$508,786) with maturity dates of December 24, 2003 and November 17, 2003, respectively. The certificates pay interest at 2.35% and are covered by \$100,000 of Federal Depository Insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks trust departments in the District's name.

**ANDERSON COUNTY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2003**

**NOTE D – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2003 was as follows:

Governmental Activities	Balance July 1, 2002	Additions	Deductions	Balance June 30, 2003
Land	\$ 1,031,319	\$ 25,064	\$ 0	\$ 1,056,383
Land improvements	1,446,704	6,750	0	1,453,454
Buildings	23,889,924	1,148,519	1	25,038,442
Technology equipment	3,043,782	143,505	78,462	3,108,825
Vehicles	2,375,156	180,234	79,716	2,475,674
Furniture, fixtures and equipment	<u>713,294</u>	<u>143,400</u>	<u>0</u>	<u>856,694</u>
Totals	<u>32,500,179</u>	<u>1,647,472</u>	<u>158,179</u>	<u>33,989,472</u>
Less: accumulated depreciation				
Land improvements	520,525	70,705	0	591,230
Buildings	4,477,847	492,761	1	4,970,607
Technology equipment	2,395,767	278,836	78,462	2,596,141
Vehicles	1,572,835	163,965	79,716	1,657,084
Furniture, fixtures and equipment	<u>360,506</u>	<u>63,408</u>	<u>0</u>	<u>423,914</u>
Total accumulated depreciation	<u>9,327,480</u>	<u>1,069,675</u>	<u>158,179</u>	<u>10,238,976</u>
Governmental Activities Capital Assets-Net	<u>\$23,172,699</u>	<u>\$ 577,797</u>	<u>\$ 0</u>	<u>\$23,750,496</u>
Business-Type Activities				
Furniture and equipment	\$ 550,716	\$ 123,281	\$ 0	\$ 673,997
Technology equipment	<u>53,400</u>	<u>0</u>	<u>0</u>	<u>53,400</u>
Totals	<u>604,116</u>	<u>123,281</u>	<u>0</u>	<u>727,397</u>
Less: accumulated depreciation				
Furniture and equipment	338,918	51,585	0	390,503
Technology equipment	<u>19,962</u>	<u>7,230</u>	<u>0</u>	<u>27,192</u>
Total accumulated depreciation	<u>358,880</u>	<u>58,815</u>	<u>0</u>	<u>417,695</u>
Business-Type Activities Capital Assets-Net	<u>\$ 245,236</u>	<u>\$ 64,466</u>	<u>\$ 0</u>	<u>\$ 309,702</u>

Depreciation expense was not allocated to governmental functions. It appears on the statement of activities as “unallocated”.

**NOTE E - BONDED DEBT AND LEASE OBLIGATIONS**

The original amount of each issue, the issue date, and interest rates are summarized below:

ISSUE DATE	PROCEEDS	RATES
1994A	7,545,000	5.625% - 5.7%
1994B	1,370,000	4.5% - 6.5%
1995	2,200,000	3.8% - 5.75%
1998A	1,790,000	3.5% - 4.25%
1998B	2,250,000	3.3% - 4%
2000	8,185,000	5.0%
2002	6,205,000	1.25%-3.50%

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Anderson County School District Finance Corporation to construct school facilities. The district has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

The Anderson County School District Finance Corporation closed on two bond issues on November 4, 1998. The first issue was the School Building Revenue Bonds, Series A of 1998 in the amount of \$1,790,000. This issue is 100% supported by the School Facility

Construction Commission (SFCC). The interest rates vary from 3.50% to 4.25% and the last bonds are due in October, 2018. The second issue, the School Building Refunding Revenue Bonds, Series B of 1998, were issued in the amount of \$2,250,000. The proceeds from this sale were used to refund the bond issues of 1979, 1987, 1989, and partially refund 1991. Series B of 1998 varies in interest from 3.30% to 4.00% and the last bond is payable March 1, 2011. This issue is a participation issue between the School District Finance Corporation and the SFCC. The local commitment to this issue concludes on March 1, 2004.

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**ANDERSON COUNTY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2003**

On January 4, 2001, the Anderson County School District Finance Corporation closed on the School Building Revenue Bonds, Series 2000, dated December 1, 2000. The amount of the issue was \$8,185,000 and carries an interest rate of 5.00%. The funds were used for the construction of the Robert B. Turner Elementary School.

On October 1, 2002, the Anderson County School Finance Corporation issued \$6,205,000 of School Building Refunding Revenue Bonds. The proceeds from the sale were used to refinance a portion of Series A of 1994 bonds and Series B of 1994 Bonds. Of the total debt of \$6,205,000, the District's portion was \$5,579,604 and the SFCC portion was \$625,396. The net present value savings to the District by refunding these 1994A and 1994B Bonds was \$473,784. The total amount of bonds defeased by this refunding issue was \$5,490,000. Of this amount, \$4,680,000 was from the 1994A issue, and \$810,000 was from the 1994B issue.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2003 for debt service (principal and interest) are as follows:

Year	Principal	Interest	Participation	District's Portion
2003-2004	905,000	859,703	442,424	1,322,279
2004-2005	945,000	815,731	435,233	1,325,498
2005-2006	995,000	770,177	439,512	1,325,665
2006-2007	1,035,000	723,151	433,662	1,324,489
2007-2008	1,010,000	682,617	367,108	1,325,509
2008-2009	1,045,000	649,541	370,444	1,324,097
2009-2010	1,065,000	613,097	348,179	1,329,918
2010-2011	1,095,000	574,569	346,126	1,323,443
2011-2012	1,060,000	533,354	264,670	1,328,684
2012-2013	1,075,000	493,444	241,546	1,326,898
2013-2014	1,115,000	451,288	243,883	1,322,405
2014-2015	1,135,000	406,674	219,612	1,322,062
2015-2016	1,180,000	351,049	160,220	1,370,829
2016-2017	1,240,000	293,833	163,220	1,370,613
2017-2018	1,300,000	231,281	163,220	1,368,061
2018-2019	1,235,000	166,250	34,099	1,367,151
2019-2020	1,305,000	100,625	32,952	1,372,673
2020-2021	1,360,000	34,000	22,149	1,371,851
	20,100,000	8,750,384	4,728,259	24,122,125

**NOTE F – COMMITMENTS UNDER NONCAPITALIZED LEASES**

Commitments under operating lease agreements for office equipment were in place for some of the schools which are accounted for in the agency fund. These leases operate on a quarterly basis and are renewable at the end of each quarter.

**NOTE G – DEFINED BENEFIT PENSION PLANS**

County Employees Retirement System

The District contributes to the County Employees Retirement System (CERS), a cost-sharing multiple employer defined benefit pension system. CERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to non-certified staff members and beneficiaries. Authority to establish and amend benefits is provided by Kentucky Revised Statutes. CERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the County Employees Retirement System, 1260 Louisville Road, Frankfort, Kentucky 40601.

Plan members are required to contribute 5 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 6.34 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. The contribution requirements of plan members and

employers are established and may be amended up to a statutory maximum amount, by the CERS. The District's required contributions for pension obligations to CERS for the fiscal year ended June 30, 2003 were \$188,335 from the District and \$148,529 from the employees.

#### Kentucky Teachers Retirement System

The Anderson County School District contributes to the Teachers' Retirement System of Kentucky (KTRS), a cost-sharing, multiple employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky.

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### **ANDERSON COUNTY SCHOOL DISTRICT NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2003**

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report can be obtained by writing to the Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, Kentucky 40601.

Contribution rates are established by KRS. Members are required to contribute 9.855% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of salaries. The federal program for any salaries paid by that program pays the matching contributions. KRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by KY Department of Education (KDE).

The Anderson County School District's total payroll for the year was \$14,035,960. The payroll for employees covered under KTRS was \$11,055,250. The District's contributions to KTRS for the year ending June 30, 2003 was \$1,166,252.

#### **NOTE H - CONTINGENCIES**

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund.

#### **NOTE I - LITIGATION**

The District is subject to various other legal actions in various stages of litigation, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate that there will be any material effect on the combined financial statements as a result of the cases presently in progress.

#### **NOTE J - INSURANCE AND RELATED ACTIVITIES**

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which includes Workers' Compensation insurance.

#### **NOTE K - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2003, the District contracted with various insurance agencies for property and fleet insurance, buildings and contents, inland marine, crime and boiler coverages, and liability insurance. Settled claims have not exceeded commercial coverage in any of the past three years and there have been no significant reductions in insurance coverage from last year. The District participates in the Kentucky School Board Insurance Trust Workers Compensation Insurance Fund. The public entity risk pools operate as common risk management and insurance programs for all school district and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other

risks of loss.

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**ANDERSON COUNTY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2003**

**NOTE L - DEFICIT OPERATING BALANCES**

There are no funds of the District that currently have a deficit fund balance. However, the following fund had operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of fund balance:

Construction Fund	\$1,140,831
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**NOTE M - COBRA**

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency).

**NOTE N - TRANSFER OF FUNDS**

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Operating	General	Dental	Funding	\$ 110,000
Matching	General	Special Revenue	Technology Match	25,468
Operating	Construction	Food Service	Construction	121,006
Operating	General	Construction	Construction	277,382
Operating	Capital Outlay	Debt Service	Debt Service	278,075
Operating	FSPK	Debt Service	Debt Service	1,044,345

**NOTE O - INTERFUND RECEIVABLES AND PAYABLES**

Interfund balances at June 30, 2003, consisted of the following individual fund receivables and payables:

	<b>RECEIVABLES</b>	<b>PAYABLES</b>
General Fund:		
Agency Fund	\$2,304	
Agency Fund:		
General Fund		\$2,304

**NOTE P – RECEIVABLES**

Receivables at June 30, 2003 consisted of taxes, accounts (rent and student fees), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

**SUPPLEMENTARY INFORMATION**

ANDERSON COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET (NON GAAP BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES:</b>				
From local sources:				
Taxes:				
Property	\$ 3,094,530	\$ 3,217,172	\$ 3,414,575	\$ 197,403
Motor vehicle	475,000	475,000	555,531	80,531
Utilities	625,000	625,000	764,278	139,278
Distilled spirits	230,000	250,046	255,256	5,210
Tuition and Fees			1,575	1,575
Earnings on investments	100,000	100,000	104,032	4,032
Other local revenues	1,000	2,000	32,292	30,292
Intergovernmental-state	9,167,586	9,946,202	10,020,665	74,463
Intergovernmental-indirect federal	5,000	5,000	1,844	(3,156)
<b>TOTAL REVENUES</b>	<b>13,698,116</b>	<b>14,620,420</b>	<b>15,150,048</b>	<b>529,628</b>
<b>EXPENDITURES:</b>				
Instruction	8,538,999	8,877,687	8,764,629	113,058
Support Services:				
Student	580,796	540,297	520,180	20,117
Instruction staff	526,529	581,167	507,227	73,940
District administrative	2,036,115	3,785,047	708,853	3,076,194
School administrative	1,088,092	1,141,013	1,083,923	57,090
Business	334,922	339,151	387,293	(48,142)
Plant operations	1,381,474	1,387,613	1,386,896	717
Student transportation	1,001,089	1,002,173	1,048,032	(45,859)
Food service	100	100	1,153	(1,053)
Facilities acquisition and construction	10,000	10,000	1,024	8,976
Community service			415	(415)
<b>TOTAL EXPENDITURES</b>	<b>15,498,116</b>	<b>17,664,248</b>	<b>14,409,625</b>	<b>3,254,623</b>
Excess (deficiency) of revenues over expenditures	(1,800,000)	(3,043,828)	740,423	3,784,251
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of fixed assets			5,500	5,500
Interfund transfers	(200,000)	(200,000)	(413,300)	(213,300)
<b>TOTAL OTHER FINANCING SOURCES (USES):</b>	<b>(200,000)</b>	<b>(200,000)</b>	<b>(407,800)</b>	<b>(207,800)</b>
Net change in fund balances	(2,000,000)	(3,243,828)	332,623	3,576,451
<b>FUND BALANCE JULY 1, 2002</b>	<b>2,000,000</b>	<b>3,232,418</b>	<b>3,282,418</b>	<b>50,000</b>
<b>FUND BALANCE JUNE 30, 2003</b>		<b>(11,410)</b>	<b>3,615,041</b>	<b>3,626,451</b>



See accompanying notes to the basic financial statements.

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**ANDERSON COUNTY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET (NON GAAP BASIS) AND ACTUAL**  
**SPECIAL REVENUE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2003**

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
<b>REVENUES:</b>				
From local sources:				
Tuition and Fees			3,176	3,176
Earnings on investments			925	925
Other local revenues		10,888	57,001	46,113
Intergovernmental-state	1,377,936	1,746,393	1,810,727	64,334
Intergovernmental-indirect federal	1,163,204	1,463,943	1,419,751	(44,192)
<b>TOTAL REVENUES</b>	<b>2,541,140</b>	<b>3,221,224</b>	<b>3,291,580</b>	<b>70,356</b>
<b>EXPENDITURES:</b>				
Instruction	2,500,126	3,061,807	2,865,859	195,948
Support Services:				
Student			121,541	(121,541)
Instruction staff	96,254	122,685	138,040	(15,355)
District administrative			5,607	(5,607)
Business		20,000	26,934	(6,934)
Student transportation	27,163	20,000	11,411	8,589
Community service		79,185	147,656	(68,471)
<b>TOTAL EXPENDITURES</b>	<b>2,623,543</b>	<b>3,303,677</b>	<b>3,317,048</b>	<b>(13,371)</b>
Excess (deficiency) of revenues over expenditures	(82,403)	(82,453)	(25,468)	56,985
<b>OTHER FINANCING SOURCES (USES):</b>				
Interfund transfers	82,403	82,403	25,468	(56,935)
<b>TOTAL OTHER FINANCING SOURCES (USES):</b>	<b>82,403</b>	<b>82,403</b>	<b>25,468</b>	<b>(56,935)</b>
Net change in fund balances		(50)		50
<b>FUND BALANCE JULY 1, 2002</b>		<b>50</b>		<b>(50)</b>
<b>FUND BALANCE JUNE 30, 2003</b>				

See accompanying notes to the basic financial statements.

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**ANDERSON COUNTY SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET-NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2003**

	SEEK Capital	Debt	<u>Permanent Funds</u>		Total Nonmajor
	<u>Outlay Fund</u>	<u>Service Fund</u>	<u>Tuition Fund</u>	<u>Dental Fund</u>	<u>Governmental Funds</u>
<b>Assets and Resources:</b>					
Cash and cash equivalents	\$	\$	\$ 115,276	\$ 74,646	\$ 189,922
Investments					
Accounts receivable					
Taxes-current					
Taxes-delinquent					
Accounts			4,138	24	4,162
Intergovernmental-State					
Intergovernmental-Indirect Federal					
Prepaid expenses					
Due from other funds					
Interest receivable					
<b>Total assets</b>	<u>\$</u>	<u>\$</u>	<u>\$ 119,414</u>	<u>\$ 74,670</u>	<u>\$ 194,084</u>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities</b>					
Accounts payable	\$	\$	\$ 1,714	\$ 6,897	\$ 8,611
Accrued payroll and related expenses					
Current portion of accumulated sick leave					
Deferred revenue					
<b>Total liabilities</b>	<u></u>	<u></u>	<u>1,714</u>	<u>6,897</u>	<u>8,611</u>
<b>Fund Balances</b>					
Reserved for:					
Encumbrances			1,279		1,279
Accrued sick leave					
Capital projects					
Unreserved:					
Undesignated, reported in:					
General fund					
Special revenue funds					
Capital projects funds					
Debt service funds					
Permanent funds			116,421	67,773	184,194
<b>Total fund balances</b>	<u></u>	<u></u>	<u>117,700</u>	<u>67,773</u>	<u>185,473</u>

**Total liabilities and  
fund balances**

\$	\$	\$ 119,414	\$ 74,670	\$ 194,084
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ANDERSON COUNTY SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2003

	SEEK Capital Outlay Fund	Debt Service Fund	Permanent Funds Tuition Fund	Dental Fund	Total Nonmajor Governmental Funds
<b>REVENUES:</b>					
From local sources:					
Taxes:					
Property	\$	\$	\$	\$	\$
Motor vehicle					
Utilities					
Distilled spirits					
Tuition and Fees			263,792	29,503	293,295
Earnings on investments	91				91
Other local revenues			2,615		2,615
Intergovernmental-state	329,490	442,422			771,912
Intergovernmental-indirect federal					
<b>TOTAL REVENUES</b>	<u>329,581</u>	<u>442,422</u>	<u>266,407</u>	<u>29,503</u>	<u>1,067,913</u>
<b>EXPENDITURES:</b>					
Instruction			437		437
Support Services:					
Student					
Instruction staff					
District administrative					
School administrative					
Business			8,805	81,944	90,749
Plant operation and maintenance	51,506				51,506
Student transportation					
Food service					
Community service			221,962		221,962
Facilities acquisition and construction					
Debt service		1,764,842			1,764,842
<b>TOTAL EXPENDITURES</b>	<u>51,506</u>	<u>1,764,842</u>	<u>231,204</u>	<u>81,944</u>	<u>2,129,496</u>
Excess (deficiency) of revenues over expenditures	278,075	(1,322,420)	35,203	(52,441)	(1,061,583)
<b>OTHER FINANCING SOURCES (USES):</b>					
Sale of fixed assets					
Interfund transfers	(278,075)	1,322,420		110,000	1,154,345
<b>TOTAL OTHER FINANCING SOURCES (USES):</b>	<u>(278,075)</u>	<u>1,322,420</u>	<u>110,000</u>	<u>110,000</u>	<u>1,154,345</u>

Net change in fund balances			35,203	57,559	92,762
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<b>FUND BALANCE JULY 1, 2002</b>	<u>                    </u>	<u>                    </u>	<u>82,497</u>	<u>10,214</u>	<u>92,711</u>
<b>FUND BALANCE JUNE 30, 2003</b>	<u>\$</u>	<u>\$</u>	<u>\$ 117,700</u>	<u>\$ 67,773</u>	<u>\$ 185,473</u>

**ANDERSON COUNTY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
SCHOOL ACTIVITY FUNDS  
FOR YEAR ENDED JUNE 30, 2003**

	Early Childhood Center	Turner Elementary	Emma B. Ward Elementary	Saffell Street Elementary	Anderson Middle School	Anderson County High School	Totals School Activity Funds
<b>ASSETS AND RESOURCES:</b>							
Cash and cash equivalents	\$ 12,309	\$ 10,100	\$ 4,414	\$ 21,833	\$ 107,376	\$ 173,063	\$ 329,095
Accounts Receivable	<u>359</u>		<u>20</u>		<u>3,331</u>	<u>1,209</u>	<u>4,919</u>
<b>TOTAL ASSETS AND RESOURCES</b>	<u>12,668</u>	<u>10,100</u>	<u>4,434</u>	<u>21,833</u>	<u>110,707</u>	<u>174,272</u>	<u>334,014</u>
<b>LIABILITIES AND FUND BALANCE:</b>							
LIABILITIES:							
Accounts Payable	1,571	49	148	2,752	15,723	1,921	22,164
Due to other Funds	1,194		145	965	0	0	2,304
Due to Student Groups	<u>9,903</u>	<u>10,051</u>	<u>4,141</u>	<u>18,116</u>	<u>94,984</u>	<u>172,351</u>	<u>309,546</u>
<b>TOTAL LIABILITIES</b>	<u>12,668</u>	<u>10,100</u>	<u>4,434</u>	<u>21,833</u>	<u>110,707</u>	<u>174,272</u>	<u>334,014</u>

**ANDERSON COUNTY SCHOOL DISTRICT**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES**  
**ANDERSON COUNTY HIGH SCHOOL ACTIVITY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2003**

	Cash Balances July 1, 2002	Receipts	Disbursements	Cash Balances June 30, 2003	Accounts Receivable June 30, 2003	Accounts Payable June 30, 2003	Account Balances June 30, 2003
ACCOUNTS:							
Annual	\$ 23,480	\$ 23,285	\$ 22,790	\$ 23,975	\$	\$	\$ 23,975
Extended Learning		1,326	1,326				0
Academic Depts.	2,459	10,570	10,618	2,411			2,411
Band	397	18,000	8,350	10,047			10,047
Athletics							
Football	19,018	31,366	32,557	17,827		59	17,768
Boys Basketball	17,631	33,484	35,608	15,507			15,507
Girls Basketball	1,425	16,481	15,164	2,742			2,742
Girls Basketball Travel	1,570	2,139	200	3,509			3,509
Spring Sports		19,172	18,991	181		181	0
Softball	1,043	16,564	15,950	1,657			1,657
Volleyball	1,533	2,585	2,844	1,274			1,274
Tennis Boys	155			155			155
Track	2,038	4,400	5,757	681			681
Cross Country	18	450	396	72			72
Tennis Girls	307			307			307
Golf Boys	439	2,743	3,088	94			94
Golf Girls		590	417	173			173
Wrestling	1,262	6,079	5,652	1,689			1,689
Soccer Boys	1,832	2,327	3,103	1,056			1,056
Soccer Girls	1,053	8,875	8,025	1,903			1,903
Baseball	4,472	14,103	16,730	1,845	336		2,181
Bearcats	2,718	9,924	8,113	4,529		230	4,299
Beta Club	1,527	6,872	7,454	945			945
Building Rental	725	470	391	804			804
Cheer	3,196	7,025	8,614	1,607			1,607
Chorus	246	9,943	8,239	1,950			1,950
Class Funds	4,800	21,587	19,586	6,801		874	5,927
Close-Up	706			706			706
Co-Ed-Y	3,871		67	3,804			3,804
Cokes	3,912	17,605	8,216	13,301	73	27	13,347
Communications		1,507	608	899		109	790
Concessions		16,174	16,174				0
Contingency Fund	1,644			1,644			1,644
Copier	4,202			4,202			4,202

Dance Team	209			209			209
FCA	1,224	3,689	4,037	876	50		926
FFA	1,032	3,831	4,672	191			191
FCCLA	1,384	18,004	18,097	1,291			1,291
French Club	735	1,888	1,395	1,228			1,228
French Honor Society	75	308		383			383
General	11,867	3,444	6,411	8,900	150		9,050
Guidance	254	6,190	6,444				
FEA		345	261	84			84
Adm Paws		4,800		4,800			4,800
National Honor Society		1,696	1,352	344		43	301
Collections	272	1,779	1,820	231			231
AYCC	100		19	81			81
Vending	790	1,284	1,125	949			949
Home Economics	137	2,990	2,498	629			629
Honors Spanish Club	605	258	372	491			491
Horticulture	10,564	1,266	3,662	8,168			8,168
Inactive Funds	287			287			287
Academic Team Club	31	100		131			131
Cat Fund		2,505	2,504	1			1
International Club	256	1,122	1,090	288			288
Pep Club	526	120	19	627			627
Library	62	464	431	95			95
Magazines	873	23,720	15,486	9,107			9,107
Operations	132		1	131			131
Student Beat	234	522	280	476			476
S.A.D.D.	3,606	11,585	14,505	686		308	378
SAE	23			23			23
Senior Class Trip		56,174	56,174				
Spanish Club	10	9	19				
Speech	267	1,413	1,680				
STLP	121	140	115	146			146
Staff Team		3,000		3,000			3,000
Student Council	493	2,062	2,101	454		90	364
Teachers in Preparation		47,775	47,410	365			365
Textbooks					600		600
TSA		88	19	69			69
Vision 2000	158		133	25			25
<b>TOTAL</b>	144,006	508,217	479,160	173,063	1,209	1,921	172,351
Less: Interfund Transfers		(22,985)	(22,985)				
<b>TOTALS</b>	144,006	485,232	456,175	173,063	1,209	1,921	172,351

**ANDERSON COUNTY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2003**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<b><u>U.S. DEPT OF EDUCATION</u></b>			
Passed Through the Kentucky Department of Education:			
Title I	84.010	0351-03	234,543
Title I	84.010	0351-02	43,546
Idea, Part B	84.027	0581-03	171,808
Idea, Part B	84.027	0581-02	469,891
Vocational Education	84.048	5462-03	22,261
Vocational Education	84.048	5462-02	556
Vocational Education	84.048	5462-01	1,406
Idea B, Preschool	84.173	0507-03	62,993
Idea B, Preschool	84.173	0587-02	29,594
Idea B, Preschool	84.173	0587-01	1,029
Idea B, Preschool	84.173	0587-00	59,956
Title IV Drug Free Schools	84.186	0590-02	8,169
Title IV Drug Free Schools	84.186	0590-01	1,572
Title II	84.281	0530-02	8,631
Title VI	84.298	0533-02	4,797
Technology Literacy Challenge	84.138	0736-03	7,700
Technology Literacy Challenge	84.138	0736-01	3,385
Class Size Reduction	84.340	0534-02	21,045
Title I, Migrant	84.011	0532-03	7,560
Title I, Migrant	84.011	0532-03	2,622
Passed Through State Workforce Cabinet:			
Adult Education	84.002	0535-02	26,741
<b>TOTAL U.S. DEPT OF EDUCATION</b>			<u>1,189,805</u>
<b><u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u></b>			
Passed Through Kentucky Department of Education:			
Service Learning	94.004	0743-01	5,500
<b>TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>			<u>5,500</u>
<b><u>U.S. DEPT OF AGRICULTURE</u></b>			
Passed Through Kentucky Department of Agriculture:			
Food Distribution (In-Kind Commodities)	10.550	N/A	71,791
Passed Through State Dept. of Education:			
National School Lunch	10.555	0575-03	326,555
School Breakfast	10.553	0576-03	66,378
Summer Meal	10.559	0574-02	15,622
Summer Meal	10.559	0569-02	1,606
Child Care	10.558	0579-03	264
Child Care	10.558	0580-03	30
<b>TOTAL U.S. DEPT OF AGRICULTURE</b>			<u>482,246</u>
<b>TOTAL FEDERAL EXPENDITURES OF AWARDS</b>			<u>1,677,551</u>

See accompanying notes to schedule of expenditures of federal awards.



**ANDERSON COUNTY SCHOOL DISTRICT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2003**

**NOTE A-BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Anderson County School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE B-FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. At June 30, 2003, the District had no food commodities in inventory.

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**ANDERSON COUNTY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2003**

<b>Section I-Summary of Auditor's Results</b>
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**Financial Statements**

Type of auditor's report issued (qualified):

Internal control over financial reporting:

- Material weakness(es) identified?                      \_\_\_\_\_ Yes                      \_\_\_\_\_ X \_\_\_\_\_ No
- Reportable condition(s) identified  
that are not considered to be material  
weaknesses?                      \_\_\_\_\_ Yes                      \_\_\_\_\_ X \_\_\_\_\_ none reported

Noncompliance material to financial  
statements noted?                      \_\_\_\_\_ Yes                      \_\_\_\_\_ X \_\_\_\_\_ No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?                      \_\_\_\_\_ Yes                      \_\_\_\_\_ X \_\_\_\_\_ No
- Reportable condition(s) identified  
that are not considered to be material  
weaknesses?                      \_\_\_\_\_ Yes                      \_\_\_\_\_ X \_\_\_\_\_ none reported

Type of auditor's report issued on compliance for major programs (unqualified):

Any audit findings disclosed that are  
required to be reported in accordance  
with section 510(a) of Circular A-133?                      \_\_\_\_\_ Yes                      \_\_\_\_\_ X \_\_\_\_\_ No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027 & 84.173	Idea, Part B and Preschool
10.555	National School Lunch Program

Dollar threshold used to distinguish  
between type A and type B programs:                      \$300,000

Auditee qualified as low-risk auditee?                      \_\_\_\_\_ Yes                      \_\_\_\_\_ X \_\_\_\_\_ No

<b>Section II-Financial Statement of Findings</b>
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No matters were reported.

<b>Section III-Federal Award Findings and Questioned Costs</b>
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No matters were reported.

**JUNE 30, 2003**

There were no prior year audit findings.

**INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE AND ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

**F A R M E R & H U M B L E  
CERTIFIED PUBLIC ACCOUNTANTS**

**P.O. BOX 212  
LAWRENCEBURG, KENTUCKY 40342  
(502) 839-3588**

Members of the Board of Education  
Anderson County School District  
Lawrenceburg, Kentucky

We have audited the financial statements of the Anderson County School District as of and for the year ended June 30, 2003, and have issued our report thereon dated November 30, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Anderson County School District' s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulation, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Anderson County School District' s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, others within the organization, Board of Education, and federal awarding agencies and pass through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Farmer & Humble  
Certified Public Accountants  
November 30, 2003

**INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND  
INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

**FARMER & HUMBLE**



**CERTIFIED PUBLIC ACCOUNTANTS  
P.O. BOX 212  
LAWRENCEBURG, KENTUCKY 40342  
(502) 839-3588**

Members of the Board of Education  
Anderson County School District  
Lawrenceburg, Kentucky

**Compliance**

We have audited the compliance of the Anderson County School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2003. Anderson County School District's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Anderson County School District's management. Our responsibility is to express an opinion on the Anderson County School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Anderson County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Anderson County School District's compliance with those requirements.

In our opinion, Anderson County School District, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

**Internal Control Over Compliance**

The management of Anderson County School District, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulation, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Anderson County School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirement of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, others within the organization, Board of Education, and federal awarding agencies and pass through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Farmer & Humble  
Certified Public Accountants  
October 28, 2002